NEXIA HOLDINGS INC
Form SB-2
January 04, 2006

Registration No. 033-22128-D

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NEXIA HOLDINGS, INC.
(Name of small business issuer in its charter)

Nevada	6510	84-1062062
(State of jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Richard Surber, President
59 West 100 South, Second Floor
Salt Lake City, Utah 84101
(801) 575-8073
(Address, including zip code and telephone number of principal executive offices and principal place of business and name, address and telephone number of agent for service)

COPIES TO:
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Approximate date of proposed sale to the public: As soon as practicable from time to time after this registration statement becomes effective.If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. . If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. If the delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount of securities to be registered**	**Dollar Amount to be registered**	**Proposed maximum offering price per share (1)**	**Proposed maximum aggregate offering price**	**Amount of registration fee**
$.001 Common Stock	5,000,000,000 shares	$5,000,000	$0.001	$0.001	$ 633.50

(1) The proposed maximum offering price per share is based on the proposed offering price for the shares of the registrant offered hereby.

The registrant hereby amends this registration statement as may be necessary to update pertinent information contained herein. Once this offering has closed, the registrant shall complete a filing in accordance with Section 8(a) of the Securities Act of 1933.

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NEXIA HOLDINGS, INC.
5,000,000,000 shares of $0.001 par value Common Stock
Purchase Price of $0.001 per share

The Offering:
Public Price $0.001 $5,000,000
Underwriting Discount *
Proceeds to Nexia Holdings, Inc.
$4,750,000

The expenses indicated do not include legal, accounting, printing, and related costs incurred in making this offering. We will need to pay all such costs, which we estimate to be $80,000. There is no arrangement to place the proceeds from this offering in an escrow, trust or similar account.

Our company, Nexia Holdings, Inc., is a Nevada corporation engaged in the business of real estate investment. We currently own and operate several buildings in the greater Salt Lake City, Utah area.

We plan to buy more investment properties which we believe are undervalued, compared to their cash flows and estimated resale value. Our acquisition strategy is to identify properties with favorable financing arrangements already in place, assume that financing, and satisfy any new down-payments with nominal cash payments or some combination of cash and our own common stock. We plan to sell our properties from time to time as favorable circumstances may permit.

* Refer to page 20, PLAN of DISTRIBUTION, Dutchess Private Equities Fund, L. P., Second Paragraph for discount information.

This offering involves a high degree of risk, and the securities offered by this prospectus are highly speculative. You should only buy this stock if you can afford to lose your entire investment. **SEE "RISK FACTORS" (BEGINNING ON PAGE 7) AND ADILUTION (BEGINNING ON PAGE 17) TO READ ABOUT RISKS YOU SHOULD CAREFULLY CONSIDER BEFORE BUYING THIS STOCK.**

Our common stock is quoted on the OTC Electronic Bulletin Board under the symbol "NEXH." On December 13, 2005, the last reported sale price of the common stock on the OTC Bulletin Board was $0.0002 per share.

We will receive no proceeds from the sale of the shares by the selling shareholders. However, we may receive 95% of the market price per share on the sale of the registered shares to Dutchess Private Equities Fund L.P.("Dutchess" or "Selling Shareholder") from the exercise of a funding agreement with Dutchess whereby up to a total of $10,000,000 in purchases may be made over a three year period.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined whether the information in this prospectus is truthful or complete. It is a criminal offense for anyone to inform you otherwise.

The information in this prospectus will be subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. The Selling Shareholder may not sell these securities, nor may it accept offers to buy, until the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall the Selling Shareholder sell any of these securities, in any state where such offer, solicitation or sale would be unlawful before registration or qualification under such state=s securities laws.

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Nexia Holdings, Inc.
59 West 100 South, Second Floor
Salt Lake City, Utah 84101
(801) 575-8073

Offering of
5,000,000,000 Shares of Common Stock

PROSPECTUS

December 15, 2005

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First page of the prospectus

SUMMARY

The following summary highlights the more detailed information and financial statements appearing elsewhere in this prospectus. It is only a summary, it is not complete and does not convey all of the information you should consider prior to investing in the common stock. We urge you to read the entire prospectus carefully, especially the risks of investing in our common stock as discussed in the "Risk Factors" section beginning on page 7.

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OUR BUSINESS

Nexia's current operations consist of the acquisition, leasing and selling of real estate. Nexia currently owns and operates a 38,000 square foot retail/office building, a 15,000 square foot office building, an 11,000 square foot office building and a 7,000 square foot retail building. All of these buildings are located in the greater Salt Lake City, Utah area.

THE OFFERING

Securities Offered.	5,000,000,000 shares of common stock.	
Selling Shareholders.	Dutchess Private Equities Fund, L.P.	
Shares of Common Stock Outstanding.	Before Offering	3,539,945,834
	After Offering	8,539,945,834

Nexia has entered into a series of investment agreements with Dutchess Private Equities Fund (the "Investment Agreement"); this agreement is also referred to as an equity line of credit. The Investment Agreement provides that, following notice to Dutchess, Nexia may put to Dutchess up to $10 million in shares of our common stock for a purchase price equal to 95% of the lowest closing best bid price on the Over-the-Counter ("OTC") Bulletin Board of our common stock during the five day period following that notice. The number of shares that we will be permitted to put pursuant to the Investment Agreement will be either: (a) 200% of the average daily volume of our common stock for the ten trading days prior to the applicable put notice, multiplied by the average of the three daily closing best bid prices immediately preceding the day we issue the put, or (b) $100,000; provided that in no event will the put amount be more than $1,000,000 with respect to any single put. In turn, Dutchess has indicated that it will resell the shares of common stock in the open market, resell our shares to other investors through negotiated transactions or hold our shares in its portfolio. This prospectus covers the resale of our shares of common stock by Dutchess either in the open market or to other investors through negotiated transactions.

Any investor purchasing Nexia's common stock during this registered offering is likely to suffer a dilution of his or her investment depending on how many of these securities are re-sold by Dutchess prior to the purchase by the investor. For more information on the dilutive effect of this offering, please see the discussions in this Prospectus at pages thirteen and fifteen.

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Use of Proceeds	We will use the proceeds from this offering to: 1. Provide operating capital; 2. Improve existing real estate holdings; and 3. Fund acquisition of real estate and development properties.
Risk Factors	The stock offered by this prospectus is speculative and involves a high degree of risk. Investors should not buy this stock unless they can afford to lose their entire investment.
OTC Bulletin Board Common Stock Symbol	"NEXH"

SUMMARY OF SELECTED FINANCIAL DATA

The information below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes to financial statements included elsewhere in this prospectus.

		Year ended 12/31/2004		Nine months ended 9/30/05
Revenue	$	634,089	$	254,702
Gain/loss from operations		(3,493,029)		(839,306)
Net Income (loss)		(3,004,155)		(3,802)
Income (loss) per common share		(0.03)		-
Weighted average number of common shares				
Outstanding		90,299,865		3,053,249,863
Balance Sheet Data				
Working capital (deficit)	$	(51,334)	$	(598,345)
Total assets		4,006,060		4,097,985
Total liabilities		3,549,330		2,942,132
Shareholders equity		441,415		1,053,354

RISK FACTORS

An investment in the common stock the selling shareholders are offering to resell is risky. The stock offered in this prospectus inherently involves a high degree of risk, and you should carefully consider the possibility that you may lose your entire investment. Given this possibility, we encourage you to evaluate the following risk factors and all other information contained in this prospectus before buying the common stock of Nexia. Any of the following risks, alone or together, could adversely affect our business, our financial condition, or the results of our operations, and therefore the value of your Nexia common stock.

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Risks Related to Nexia's Business

Nexia's real estate investments are inherently risky and dependent on rental income.

Real estate investments are inherently risky. The value of a real estate investment company's stock depends largely on the rental income and the capital appreciation generated by the properties which the investment company owns. If our properties do not generate enough cash flow from rental income to meet operating expenses (such as debt service, capital expenditures and tenant improvements), our ability to develop our business and become profitable will be adversely affected.

Income from real estate investments may be adversely affected by a number of factors, including:

$ the general economic climate and local real estate conditions (such as too much supply or too little demand for rental space, as well as changes in market rental rates);

$ prospective tenants' perceptions of a building's safety, convenience and attractiveness, or the overall appeal of a particular building;

$ the property owner's ability to provide adequate management, maintenance and insurance;

$ expenses for periodically renovating, repairing and re-letting spaces;

$ rising operating costs for our properties (including real estate taxes and utilities), which we may not be able to pass through to tenants because of their leases;

$ falling operating costs for competing properties, which would allow them to undercut our rental rates;

$ rising unemployment rates in the area, which may reduce the demand for rental space;

$ adverse changes in zoning laws, tax laws, or other laws affecting real estate or businesses in the area;

$ damage from earthquakes or other natural disasters;

$ mortgage interest rates and the availability of financing.

Some significant expenses associated with real estate investment (such as mortgage payments, real estate taxes, insurance and maintenance costs) are fixed and generally can not be reduced if circumstances cause lower rental incomes from a building. For example, if we can not meet the mortgage payments, we could lose some or all of our investment in a building due to foreclosure by the holder of the lien on the property.

Our real estate investments have limited liquidity and no certainty of capital appreciation.

Our real estate investments have limited liquidity. Real estate investments in general are relatively illiquid. Our ability to vary our portfolio in response to changes in economic and other conditions will be limited. We cannot ascertain whether we will be able to sell an investment when a sale would be advantageous or necessary. The sale price may not be enough to recoup the amount of our investment. Accordingly, Nexia can provide no assurance that the value of its properties will appreciate.

There are numerous uncertainties in estimating real estate values and prospective appreciation value. The estimated values set forth in appraisals are based on various comparisons to other property sales; predictions about market conditions such as demand, vacancy rates, prospective vacancy rates, renewal terms and other factors; assumptions about the property's condition, conformance with laws and regulations, absence of material defects; estimates of lease revenues and operating expenses; and other factors. Any significant change in these comparisons, predictions, assumptions, and estimates, most of which are beyond our control, could materially and adversely affect the market values and appreciation potential of our properties.

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We compete with substantially larger companies to acquire suitable buildings.

The commercial real estate market is highly competitive. We compete with substantially larger companies for the acquisition, development and operation of properties that fit within the parameters of our business plan. Some of these companies are national or regional companies with far greater resources than ours. The presence of these competitors may significantly impede our business growth or survival.

Nexia 's ability to generate enough revenue to operate our business is dependent on the ability to attract tenants and ensure that tenants meet their lease obligations.

Our business would be severely affected if our current tenants fail to meet lease obligations or, if upon failure to meet lease obligations, we were unable to enter into new viable leases for the resulting vacant space. Further, if a tenant defaulted on a lease, we might experience a delay before the courts enforced our rights against the tenant. Our ability to lease the space during any court enforced action would be seriously impaired. Failure of a tenant's business through bankruptcy would also reduce or eliminate our revenue flow. We can provide no assurance that tenants will faithfully meet their lease obligations or that tenants will not be impaired through some form of business failure or otherwise.

Fixed costs cannot be reduced if circumstances lower rental incomes from a building.

Our ability to fund the fixed costs related to a building, such as mortgage payments, insurance costs, maintenance, security, landscaping and costs normally paid by a tenant occupying space in a building could not be paid by Nexia in the event that rental income from a building was lowered due to vacancy, bankruptcy of tenants or if competition for tenants depressed rental rates in the market for any building owned by Nexia.

Our ability to satisfy fixed operating costs that may rise over time cannot be reduced in response to any decrease in our rental income, or passed through to our tenants.

Our ability to satisfy fixed operating costs associated with our property could be seriously affected by any rise in expenses such as: mortgage payments, insurance, utilities, cleaning, ventilation, air-conditioning, security, landscaping, building repairs and maintenance. While our tenants must often pay a portion of these escalating costs, there can be no assurance that they will agree to any increase in current fixed costs or that any increase in tenant payments would cover increased operating costs. Our current fixed costs for any future time period cannot be reduced in response to any decrease in rental income, and our ability to operate would be severely affected by any increase in the costs associated with leasing our property.

The majority of Nexia's current real estate holdings are located in the Salt Lake City, Utah market making the Company vulnerable to changes in economic conditions in that market.

The majority of Nexia's current real estate holdings are located in the Salt Lake City, Utah market which creates a greater risk of harm from a downturn in that single market as compared to wider more diversified holdings in several geographic areas. Any significant change in the office or retail space in the Salt Lake City market will directly affect Nexia's real estate operations.

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Nexia may invest in properties in other real estate markets outside of the Salt Lake City, Utah area where the Company may have no experience.

Nexia may make selected acquisitions or develop properties outside the area of its current focus of Salt Lake City, Utah as appropriate opportunities are located or as they may arise. The historical experience of Nexia is in the Salt Lake City market area, and management may not be able to operate successfully in other market areas. Some of the risks in operating in new market areas would include: a lack of market knowledge and understanding of the local economies, an inability to identify promising acquisition or development opportunities, an inability to obtain qualified development and maintenance personnel, and a lack of familiarity with local government and permitting procedures. Any of these factors could cause Nexia to incur costs greater than anticipated and limit the success of any acquisition and development that may be undertaken, which would reduce the Company's profitability and limit its growth.

Nexia expects to experience significant growth in the future and may not be able to adapt its management and operational systems to adequately integrate the additional properties and operations without unanticipated significant disruption or expense.

Nexia intends to make a significant number of investments in real estate over the next 36 months. As a result of the anticipated future growth, we cannot assure you that the Company will be able to adapt its management, administrative, accounting and operational systems or hire and retain sufficient operational staff to integrate the new properties into the Company and manage any future acquisitions of additional properties without operating disruptions or unanticipated costs. Any future acquisition will generate additional operating expenses that the Company will be required to pay. As Nexia acquires additional properties it will be subject to risks associated with managing new properties, including tenant retention and mortgage defaults. Acquisitions may additionally cause disruptions of operations and divert management's attention away from day-to-day operations, which could impair relationships with our current tenants and employees. Any failure to successfully integrate future property acquisitions into our portfolio could cause significant disruption or costs, which in turn could reduce the Company's cash flow and potential for profitability.

We are dependent on key personnel, specifically Richard Surber, and have no employment agreement with him.

We are dependent on the services of Richard Surber, our President. We do not have an employment agreement with Mr. Surber, and losing his services would likely have an adverse effect on our ability to conduct business. Mr. Surber serves as an Officer and Director of Nexia. Mr. Surber is currently employed by other businesses, and he will only allocate a portion of his time (estimated at an average of 35 hours per week) to the business of Nexia. Therefore, there is a risk that he might not devote enough time to Nexia in fulfilling our business plan. Further, Nexia has a limited number of full time employees.

Our ability to provide adequate management, maintenance and insurance.

To provide for adequate management, maintenance and insurance for the properties owned by Nexia, rental income will need to exceed the normal operating costs. Vacancies, falling rents, bankruptcy of tenants, unexpectedly higher maintenance costs or a loss not covered by insurance could adversely affect the ability of Nexia to provide adequate management, maintenance and insurance for its properties. If these services are not provided on an adequate basis, deterioration of the property would have a severely negative impact on Nexia.

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Risks related to Nexia’s and its predecessors’ operating histories

The current focus of Nexia’s business plan is to take advantage of the current boom in the United States’ real estate market. In the current market, Nexia has not relied upon the sellers of real property to finance its real estate investments. Nexia has obtained the necessary funding on its own. However, Nexia and its predecessors have attempted in recent years to compete in other market trends which were not successful. For example, Nexia signed an agreement to acquire Creative Marketing Group, Inc. which holds a license to market coffee maker filters and ground coffee beans under the “Mr. Coffee” name. In another example, Nexia attempted to close on a manufacturing and repair company. In each of these situations, the executive management of Nexia and its predecessors was the same. In each of these failed attempts, Nexia attempted to acquire an existing business based on the incorrect information that the selling shareholder group would obtain the necessary financing to support the ongoing business of the franchise. Based upon past performance, there is the possibility that Nexia’s executive management may in the future commit resources to an acquisition that ultimately proves to be unsound and damages the Company financially.

We will need new funding, which may not be available, in order to fully execute our real estate business plan.

Our real estate business planBbuying undervalued buildingsBwill depend on our ability to raise more money. Management and shareholders have not committed to provide new funding. Except for that funding we hope to obtain as a result of selling our common stock to Dutchess, as detailed in this prospectus, we have not investigated other sources, availability, or terms for new funding. There is no assurance that funding will be available from any source or, if available, that it can be obtained on acceptable terms. If we can not obtain new funding, our operations could be severely limited.

We cannot predict our future capital needs and may not be able to secure additional funding.

Nexia’s management estimates that the Company’s current “burn rate,” the current rate at which expenses exceed revenue, is approximately $80,000 per month, or $960,000 per year. We will need to raise additional funds within the next six months in order to fund the current level of operations of the Company. We expect that the majority of these funds will come from the sale of our common shares to Dutchess or the sale or transfer of some of our preferred shares to private investors. Either method of funding could result in a significant dilution of ownership interests by the holders of our common stock.

Environmental liability could affect our real estate investments.

Various federal, state and local environmental laws make a real estate owner liable for the costs of removal or remediation of certain hazardous or toxic substances on a property. These laws often impose environmental liability regardless of whether the owner was responsible or knew of the presence of hazardous substances. The presence of hazardous substances, or the failure to properly remediate them, may adversely affect our ability to sell or rent a property or to borrow using the property as collateral. No assurance can be given that the environmental assessments of our properties revealed all environmental liabilities, or that a material, adverse environmental condition does not exist on our properties.

We may face an uninsured loss.

Owners of real estate are subject to certain types of losses such as civil disturbance or pollution, which are either uninsurable or too expensive to insure. If an uninsured loss or a loss in excess of insured limits occurs, Nexia's investment in our real properties, as well as anticipated future revenues could be lost. Meanwhile, obligations on any mortgage debt for the properties would continue. Accordingly, any uninsured loss could adversely affect our financial condition and results of operation.

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The Americans With Disabilities Act and similar legislation may increase our costs.

The Americans with Disabilities Act of 1980 (ADA) requires that commercial facilities and places of public accommodation be accessible to disabled people. A number of additional federal, state and local laws impose other requirements on owners concerning access by disabled people. We may need to make both structural and non-structural changes to our property in order to comply with the ADA and similar laws. Noncompliance could result in government fines or an award of damages to a private litigant. We have not been informed that any of our properties fail to comply with such laws. However, we may incur costs, which we cannot fully ascertain now, to ensure compliance in the future. While we do not expect the prospective costs of compliance to have a material effect on our operations, a potential for substantial costs exists. If changes are required, our financial condition and results of operations could be adversely affected.

We do not expect to pay dividends for some time, if at all.

No dividends have been paid on the common stock in the past three years. We expect that any income received from operations will be devoted to costs of operations and growth. We do not expect to pay cash dividends in the near future. Payment of dividends would depend upon the company’s profitability at the time, cash available for those dividends and other factors.

The Series B Preferred Stock held by Richard Surber creates an anti-takeover or change of control limitation.

The eight million shares of Series B Preferred Stock held by Richard Surber provide him with voting control over any proposal requiring a vote of the shareholders. Such an event would include a vote by the board of directors to conduct a reverse split of the common stock. This effectively gives him a veto over any attempt to take over or change control of the Company. The shares held by Mr. Surber thus have a strong anti-takeover effect. Their issuance was to compensate Mr. Surber for serving as the personal guarantor of the loans used to acquire the majority of the real estate holdings currently under the Company’s control.

Risks Related to Investment

Richard Surber currently holds voting control of Nexia through his ownership of voting preferred stock.

Through Mr. Surber’s ownership of 8,000,000 shares of the Series B Preferred Stock of the Company, he holds voting rights equal to 4,000,000,000 shares of common stock. Currently, 3,539,945,834 shares of common stock are issued and outstanding. Mr. Surber holds voting control of any issue presented to the shareholders for a vote of the common stock. His interests may not always conform to the interests of the common stockholders, in general, and thus his voting rights may not always be exercised in the best interests of the common stockholders of the Company.

Nexia expects the price of its common stock to be volatile. As a result, investors could suffer greater market losses in a down market than they might experience with a more stable stock. Volatility in our stock may also increase the risk of having to defend a securities class action suit, which could be expensive and divert management’s attention from managing Nexia’s business.

The market price of Nexia’s common shares has been subject to wide fluctuations in response to several factors, such as:

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· Significant dilution
· Actual or anticipated variation in the results of operations
· Announcements of acquisitions
· Changes in the areas of operations of the company
· Conditions and trends in the real estate market in Salt Lake City, Utah and nationally

The stock markets generally, and the OTC Bulletin Board in particular, have experienced extreme price and volume fluctuations that are often unrelated and disproportionate to the operating performance of a particular company. These market fluctuations, as well as general economic, political and market conditions such as recessions or interest rate or international currency fluctuations, may adversely affect the market for the common stock of the company. In the past, class action litigation has often been brought against companies after periods of volatility in the market price of their securities. If such a class action suit is brought against the company it could result in substantial costs and a diversion of management's attention and resources, which would hurt business operations.

Dutchess will pay less than the then-prevailing market price of our common stock, which may cause our stock price to decline.

The common stock to be issued under our agreement with Dutchess will be purchased at a 5% discount to the lowest closing bid price for the five days immediately following our notice to Dutchess of our election to exercise our put right. These discounted sales could cause the price of our Common Stock to decline, and you may not be able to sell our stock for more than you paid for it.

Our stock value is dependent on our ability to generate net cash flows.

A large portion of any potential return on our common stock will be dependent on our ability to generate net cash flows.

If we can not operate our commercial property at a net profit, there will be no return on shareholders' equity, and this could result in a loss of share value. No assurance can be given that we will be able to operate at a net profit now or in the future.

Our common stock value may decline after the offering.

Sales of our common stock in the public market following this offering could lower the market price of our common stock. The sales may also make it more difficult for the company or its investors to sell current securities in the future at a time and price that the company or its current investors deem acceptable or even to sell such securities at all. The risk factors discussed in this "Risk Factors" section may significantly affect the market price of our stock. The low price of our stock may result in many brokerage firms declining to deal in our stock. Even if a buyer finds a broker willing to effect a transaction in our common stock, the combination of brokerage commissions, state transfer taxes, if any, and other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of this stock as collateral for loans. Thus, you may be unable to sell or otherwise realize the value of your investment in our stock.

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The number of shares to be made available through this registration statement could encourage short sales by third parties, which could contribute to a future decline in the price of our stock.

In our circumstances, the provision of a large number of common shares to be sold to Dutchess has the potential to cause a significant downward pressure on the price of common stock, such as ours, that is traded on the OTC Bulletin Board. This would be especially true if the shares being placed into the market exceeds the market's ability to take up the increased number of shares or if the Company has not performed in such a manner to encourage additional investment in the market place. Such events could place further downward pressure on the price of the common stock. As a result of the number of shares that could be placed with Dutchess, an opportunity exists for short sellers and others to contribute to the future decline of Nexia's stock price. Persons engaged in short-sales first sell shares that they do not own and, thereafter, purchase shares to cover their previous sales. To the extent the stock price declines between the time the person sells the shares and subsequently purchases the shares, the person engaging in short-sales will profit from the transaction, and the greater the decline in the stock price the greater the profit to the person engaging in such short-sales. If there are significant short-sales of our stock, the price decline that would result from this activity will cause our share price to decline even further, which could cause any existing shareholders of our stock to sell their shares creating additional downward pressure on the price of the shares. It is not possible to predict how much the share price may decline should a short sale occur. In the case of some companies that have been subjected to short-sales the stock price has dropped to near zero. This could happen to Nexia.

Our shareholders may face significant restrictions on the resale of our stock due to state "blue Sky" laws.

Each state has its own securities laws, often called "blue sky laws," which (1) limit sales of stock to a state's residents unless the stock is registered in that state or qualifies for an exemption from registration and (2) govern the reporting requirements for broker-dealers and stock brokers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or it must be exempt from registration. Also, the broker must be registered in that state. We do not know whether our stock will be registered, or exempt, under the laws of any states. A determination regarding registration will be made by the broker-dealers, if any, who agree to serve as the market-makers for our stock. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our stock.

You should consider the resale market for our securities to be limited. Shareholders may be unable to resell their stock, or they may be unable to resell it without the significant expense of state registration or qualification.

Our stock may be subject to significant restrictions on resale due to federal penny stock regulations.

Our stock differs from many stocks because it is a "penny stock." The Securities and Exchange Commission ("SEC") has adopted a number of rules to regulate penny stocks. These rules require that a broker or dealer, prior to entering into a transaction with a customer, must furnish certain information related to the penny stock. The information that must be disclosed includes quotes on the bid and offer, any form of compensation to be received by the broker in connection with the transaction and information related to any cash compensation paid to any person associated with the broker or dealer.

These rules may affect your ability to sell our shares in any market that may develop for Nexia stock. Should a market for our stock develop among dealers, it may be inactive. Investors in penny stocks are often unable to sell stock back to the dealer that sold it to them. The mark-ups or commissions charged by broker-dealers may be greater than any profit a seller can make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold it to them. In some cases, the stock value may fall quickly. Investors may be unable to gain any profit from any sale of the stock, if they can sell it at all.

Potential investors should be aware that, according to the SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. These patterns include:

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- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;

- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;

- "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;

- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Investors must contact a broker-dealer to trade over-the-counter bulletin board securities. As a result, you may not be able to buy or sell our securities at the times you may wish.

Even though our securities are quoted on the OTC Bulletin Board, they may not permit our investors to sell securities when and in the manner that they wish. Because there are no automated systems for negotiating trades on the OTC Bulletin Board, they are conducted via telephone. In times of heavy market volume, the limitations of this process may result in a significant increase in the time it takes to execute investor orders. When investors place market orders to buy or sell a specific number of shares at the current market price it is possible for the price of a stock to go up or down significantly during the lapse of time between placing a market order and its execution.

If we fail to remain current on the reporting requirements that apply to Nexia, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities.

Companies trading on the OTC Bulletin Board, such as Nexia, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, shares of our common stock could be removed from the OTC Bulletin Board. As a result of that removal, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Investors may experience an immediate and significant dilution of their interest if any securities registered hereunder are sold.

"Dilution" represents the difference between the offering price and the net tangible book value per share immediately after completing this offering. "Net tangible book value" is the amount that results from subtracting total liabilities and intangible assets from total assets. Dilution is caused primarily by our arbitrary determination of the offering price for the shares detailed in this prospectus. Dilution also occurs because of the lower book value of the shares held by our existing shareholders.

As of September 30, 2005, the net tangible book value of our shares of common stock was $545,354 or approximately $0.0002 per share, based on 3,539,945,834 shares outstanding.

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Upon completion of this offering, if 100% of the offered shares are sold, the net tangible book value of the 8,539,945,834 shares to be outstanding will be $5,555,354 or approximately $0.0007 per share. The net tangible book value of the shares held by our existing stockholders will increase by $0.0005 per share without any additional investment on their part. You would experience an immediate dilution from $0.0010 per share to $0.0007 per share.

Dutchess may not buy all or any of our common stock.

The possibility exists that we will not sell any of the securities to Dutchess detailed in this offering; or that we will sell only a limited number of securities. Nexia has incurred expenses related to this offering. The offering expenses are to be paid from the proceeds of the offering or the sales to Dutchess. Should Nexia fail to sell, or should Dutchess fail to buy any securities or only a limited number of securities as offered, then offering costs would be paid from our operating budget. The addition of this financial obligation to the operating budget of Nexia would have a negative impact on our ability to continue our operations.

SELLING SHAREHOLDERS

The following table presents information regarding the selling shareholders. None of the selling shareholders holds, or has held a position or office or had any other material relationship with Nexia.

Selling Security Holder	Shares held Before offering	percentage of shares before offering	shares sold in offering	percentage of shares after offering
Dutchess Private Equities Fund L.P.	0	0%	5,000,000,000	58%

USE OF PROCEEDS

Nexia will not receive any proceeds from the sale of the shares by Dutchess pursuant to this registration. However, all shares sold to Dutchess pursuant to the Investment Agreement between Nexia and Dutchess will generate cash proceeds from those sales for Nexia. Nexia intends to use the proceeds from those transfers to Dutchess in the following manner, and in the following order of priority.

Priority	Use of Proceeds	Est'd Cost
1	Costs of offering	$ 80,000
2	Working capital	$ 1,930,000
3	Improvement to existing real estate holdings	$ 1,080,000
4	Acquisition of real estate	$ 1,660,000

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DETERMINATION OF OFFERING PRICE

The shares of Nexia common stock are being offered for sale by the selling stockholder at prices established on the OTC Bulletin Board or in negotiated transactions during the term of this offering. These prices will fluctuate based on the demand for the shares.

DILUTION

"Dilution" represents the difference between the offering price and the net tangible book value per share immediately after completing this offering. "Net tangible book value" is the amount that results from subtracting total liabilities and intangible assets from total assets. Dilution arises mainly because we have arbitrarily determined the offering price for the shares offered in this prospectus. Dilution also occurs because of the lower book value of the shares held by our existing stockholders.

These calculations are assumptions based upon an estimate of prices and sales that may never be realized. Actual prices to be paid by Dutchess to the Company will not be determined until the time of sale. All of the following information is premised upon those assumptions and estimated prices. Actual results may vary materially from those presented in the following information as a result of the sale and transfer of the shares registered hereunder.

As of September 30, 2005, the net tangible book value of our shares of common stock was $545,354 or approximately $0.0002 per share, based on 3,539,945,834 shares.

Upon completion of this offering, if 100% of the offered shares are sold, (5,000,000,000) the net tangible book value of the 8,539,945,834 shares to be outstanding will be $5,555,354 or approximately $0.0007 per share. The net tangible book value of the shares held by our existing stockholders will be increased by $0.0005 per share without any additional investment on their part. You will incur an immediate dilution from $0.0010 per share to $0.0007 per share.

Upon completion of this offering, if 75% of the offered shares are sold, (3,750,000,000) the net tangible book value of the 7,289,945,834 shares to be outstanding will be $4,305,354, or approximately $0.0006 per share. The net tangible book value of the shares held by our existing stockholders will be increased by $0.0004 per share without any additional investment on their part. You will incur an immediate dilution from $0.0010 per share to $0.0006 per share.

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Upon completion of this offering, if 50% of the offered shares are sold, (2,500,000,000) the net tangible book value of the 6,039,945,834 shares to be outstanding will be $3,455,354 or approximately $0.0005 per share. The net tangible book value of the shares held by our existing stockholders will be increased by $0.0003 per share without any additional investment on their part. You will incur an immediate dilution from $0.0010 per share to $0.0005 per share.

Upon completion of this offering, if 25% of the offered shares are sold, (1,250,000,000) the net tangible book value of the 4,789,945,834 shares to be outstanding will be $1,805,354 or approximately $0.0004 per share. The net tangible book value of the shares held by our existing stockholders will be increased by $0.0002 per share without any additional investment on their part. You will incur an immediate dilution from $0.0010 per share to $0.0004 per share.

Upon completion of this offering, if 5% of the offered shares are sold, (250,000,000) the net tangible book value of the 3,789,945,834 shares to be outstanding will be $805,354 or approximately $0.0002 per share. The net tangible book value of the shares held by our existing stockholders will not be increased. You will incur an immediate dilution from $0.0010 per share to $0.0002 per share.

The following table compares the differences of your investment in our shares with the investment of our existing stockholders.

EXISTING STOCKHOLDERS

Price per share	$	0.0010
Net tangible book value per share before offering.	$	0.0002
Net tangible book value per share after offering, assuming all shares are sold	$	0.0007
Net Increase in tangible book value to existing stockholders after offering assuming all shares are sold	$	0.0005
Number of shares outstanding before the offering		3,539,945,834
Number of shares after offering held by existing stockholders		3,539,945,834
Percentage of ownership after offering		41.5%

PURCHASERS OF SHARES IN THIS OFFERING IF ALL SHARES SOLD

Price per share	$	0.0010
Dilution per share	$	0.0003.
Capital contributions	$	5,000,000
Number of shares after offering held by public investors		8,139,792,403
Percentage of ownership after offering		94.1%

PURCHASERS OF SHARES IN THIS OFFERING IF 75% OF SHARES SOLD

Price per share	$	0.0010
Dilution per share	$	0.0004
Capital contributions	$	3,750,000
Number of shares after offering held by public investors		6,889,792,403
Percentage of ownership after offering		93.1%

PURCHASERS OF SHARES IN THIS OFFERING IF 50% OF SHARES SOLD

Price per share	$	0.0010

Dilution per share	$	0.0005
Capital contributions	$	2,500,000
Number of shares after offering held by public investors		5,639,792,403
Percentage of ownership after offering		91.7%
PURCHASERS OF SHARES IN THIS OFFERING IF 25% OF SHARES SOLD		
Price per share	$	0.0010
Dilution per share	$	0.0006
Capital contributions	$	1,250,000
Number of shares after offering held by public investors		4,389,792,403
Percentage of ownership after offering		89.6%
PURCHASERS OF SHARES IN THIS OFFERING IF 5% OF SHARES SOLD		
Price per share	$	0.0010
Dilution per share	$	0.0008
Capital contributions	$	250.000
Number of shares after offering held by public investors		3,389,792,403
Percentage of ownership after offering		86.8%

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PLAN OF DISTRIBUTION

The Selling Shareholder has told us they intend to sell the common stock covered by this prospectus from time to time in the OTC Bulletin Board market or in any other market where our shares of common stock are quoted. The Selling Shareholder, or brokers, dealers or agents that participate in the distribution of the common stock, may be deemed to be underwriters, and any discounts on the sale of common stock by them and any discounts, concessions, or commissions they receive may be deemed to be underwriter discounts and commissions under the Securities Act.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. We will inform the Selling Shareholder that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling shareholder must be registered to sell securities in all 50 states. In addition, in some states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and there is compliance with those exemptions.

Nexia will pay all the expenses of the registration, offering, and sale of the shares of common stock to the public under this prospectus other than commissions, fees, and discounts of underwriters, brokers, dealers or agents. We have agreed to indemnify the Selling Shareholder and their controlling persons against certain liabilities, including liabilities under the Securities Act. We estimate the expenses of the offering, to be borne by Nexia, will be approximately $80,000. We will not receive any proceeds from the sale of the shares of common stock by the Selling Shareholder. We will, however, receive proceeds from the sale of common stock to Dutchess pursuant to the Investment Agreement.

The Selling Shareholder should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will affect purchases and sales of common stock by the selling shareholder and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, the Selling Shareholder or its agents may not bid for or purchase, or attempt to induce any person to bid for or purchase, shares of our common stock while they are distributing shares covered by this prospectus. Accordingly, except as noted below, the selling shareholder is not permitted to cover short sales or purchasing shares while the distribution is taking place. We will advise the Selling Shareholder that if a particular offer of common stock is to be made on terms materially different from the information set forth in the above Plan of Distribution, that a post-effective amendment to the accompanying registration statement must be filed with the Securities and Exchange Commission.

Dutchess Private Equities Fund, L.P.

On August 15, 2005, The Company executed the Investment Agreement with Dutchess Private Equities Fund, L.P., ("Dutchess" or the "Selling Shareholder") a Delaware limited partnership with its principal office located at 50 Commonwealth Avenue, Suite 2, Boston, Massachusetts 02116. The Company reported the execution of this agreement on Form 8-K.

The Investment Agreement provides for Dutchess to extend to the Company up to $10,000,000 in equity financing. The term of the financing extends for up to a three year period, during which the Company can receive funds through the sale of its common stock to Dutchess. The purchase price of the shares is stipulated to be at 95% of the lowest closing bid price for the five trading days after a request is received by Dutchess from the Company.

The financing will only become available to the Company after the filing and subsequent effectiveness of this SB-2 Registration Statement.

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LEGAL PROCEEDINGS

The following civil actions may have a material impact on Nexia:

Richard D. Surber, Individually and Hudson Consulting Group, Inc., a Nevada Corporation vs. Richard A. Bailey and Florian R. Ternes, Individually, Gateway Distributors, Inc., a Nevada Corporation and Worldwide Holdings Delaware Corp., a Delaware corporation, f/k/a TRSG Corporation. Suit was filed on October 8, 2004 in the Third Judicial District Court of Salt Lake County, State of Utah, Civil Case No. 040921072. The complaint was filed on behalf of Mr. Surber and Hudson Consulting Group, Inc. seeking recovery for unpaid obligations owed to Hudson by the named defendants, some of which are represented by a promissory note in the face amount of $175,000 and for damages alleged to have been caused by the fraudulent actions of the named defendants which have caused injury to both Hudson and to Mr. Surber personally. Defendants have been served and all but one has filed an appearance with the court in which they have denied liability. Worldwide Holdings Delaware Corp. has failed to make an appearance and a default has been requested from the court against that corporation. The Company has prepared a Motion for Summary Judgment and filed it with the Court.

Nexia Holdings, Inc., a Nevada Corporation vs. Richard Bailey, Individually and Creative Marketing Group, Inc., a Nevada Corporation. This action was filed on September 28, 2004, in the Third Judicial District Court of Salt Lake County, State of Utah, Civil Case No. 040920424. Nexia filed this cause of action to recover its damages that resulted from the failure of the named defendants to perform the terms and conditions of a Stock Purchase Agreement and Plan of Reorganization signed on or about November 10, 2003. This agreement provided for Nexia to acquire a controlling interest in the defendant corporation which the Defendants have subsequently failed and refused to perform, despite Nexia having tendered full performance on its part. Both defendants were served with process in the case and failed to make an appearance before the Court; entry of default against each defendant has been signed by the court. Development of information to establish the amount of damages suffered by Nexia is currently being gathered and after presentation to the court, a final judgment is expected for Nexia in an amount yet to be determined.

Hallmark Construction & Development, L.L.C. v. Wasatch Capital Corporation, Community First National Bank, CUBCO, Inc. and John Does 1-10. Action was filed on or about August 18, 2005, in the Third Judicial District Court of Salt Lake County, State of Utah, Civil Case No. 050914860. Hallmark Construction & Development LLC has filed suit against Wasatch Capital Corporation seeking collection of $92,000 in alleged unpaid construction costs for the improvements and work provided on the Wallace/Bennett buildings owned by Wasatch Capital. Wasatch has responded with a demand that, as provided in the underlying contract, the matters in dispute between the parties be submitted to arbitration. Wasatch denies that it is currently indebted to Hallmark for any services or work provided for the improvement of the said buildings and believes that it has actions for damages against Hallmark.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS & CONTROL PERSONS

The following persons are officers and directors of Nexia as of the date of this prospectus:

Name	Age	Position(s) and Office(s)
Richard Surber	32	President and Director
Gerald Einhorn	66	Vice President, Secretary and Director
Adrienne Bernstein	61	Director

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Richard D. Surber, 32, graduated from the University of Utah with a Bachelor of Science degree in Finance and then with a Juris Doctorate with an emphasis in corporate law, including securities, taxation and bankruptcy. He has served as President and Director of the Company since May of 1999. He also served as an officer and director of the Company's former parent corporation, Axia Group, Inc. (president and director from 1992 until control transferred in 2004). He has been an officer and director of several public companies, including: Golden Opportunity Development Corporation ("GODC"), a majority owned subsidiary of Nexia until December 31, 2004, (president and director from September 1999 to December 19, 2001). GODC's operations (until January 4, 2002) consisted of operating a 134 room motel in Baton Rouge, Louisiana.

In 2004, the SEC instituted administrative proceedings to de-register fourteen shell companies affiliated directly or indirectly with Mr. Surber over the last six years. Four of these companies were majority owned affiliates of Nexia. All of the companies de-registered by the SEC were inactive and shell companies. Mr. Surber was not named as a respondent in any of those SEC proceedings.

Gerald Einhorn, 66, was appointed to the board in June of 2002 as a Director, Vice-President and Secretary of Nexia. He was employed by Hudson Consulting Group, Inc. (currently a subsidiary of Nexia) in its legal department from February 1996 to November 2003 as an attorney working in the areas of real estate, corporate and securities matters. Prior to that time, Mr. Einhorn was self employed for more than 20 years in Long Island, New York as a wholesale distributor of fresh produce and frozen foods to retail and institutional end users. He is a member of the New York Bar and practiced in New York State for a period of 10 years before entering the food distribution business.

Adrienne Bernstein, 61, was appointed to the Board of Directors in June 2002. Ms. Bernstein had previously been a director of Axia Group, Inc. from 1999 through 2001. From 1988 to 1994, Ms. Bernstein was the Assistant Director of Human Resources for the Love Stores, a chain of retail health and beauty stores. In this capacity, Ms. Bernstein was responsible for hiring and training all employees and for preparing management and employee seminars. Prior to her position with the Love Stores, Ms. Bernstein served as a Vice President for Leucadia National Corporation, a NYSE traded company specializing in finance, insurance and manufacturing. In this capacity, Ms. Bernstein's primary emphasis involved real estate management and sales activities.

No other person is expected to make a significant contribution to Nexia who is not identified in this prospectus as an executive officer or director of Nexia.

All executive officers are appointed by the board and hold office until the board appoints their successors or they resign.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the ownership of the Company's common stock as of December 15, 2005, with respect to: (i) each person known to the Company to be the beneficial owner of more than five percent of the Company's common stock; (ii) all directors; and (iii) directors and executive officers of the Company as a group. The notes accompanying the information in the table below are necessary for a complete understanding of the figures provided below. As of December 15, 2005, there were 3,539,945,834 shares of common stock issued and outstanding.

TITLE OF CLASS	**NAME AND ADDRESS OF BENEFICIAL OWNER**	**AMOUNT &NATURE OF BENEFICIAL OWNERSHIP**	**PERCENT OF CLASS**
Preferred Series "B" Stock ($0.001par value)	Richard Surber, President & Director 59 West 100 South, Second Floor Salt Lake City, Utah 84101	8,000,000 (3)	100%
Common Stock ($0.001 par value)	Richard Surber, President & Director 59 West 100 South, Second Floor Salt Lake City, Utah 84101	91,937 Direct 12,862 Indirect(1)	0.003%
Common Stock ($0.001 par value)	Gerald Einhorn, VP & Director 59 West 100 South, Second Floor Salt Lake City, Utah 84101	10,000	>0.001%
Common Stock ($0.001 par value)	Adrienne Bernstein, Director 59 West 100 South, Second Floor Salt Lake City, Utah 84101	12,957	>0.001%
Common Stock ($0.001 par value)	Oasis International Hotel & Casino, Inc. 59 West 100 South, Second Floor Salt Lake City, Utah 84101	2,655(2)	>0.001%
Common Stock ($0.001 par value)	Hudson Consulting Group, Inc. 59 West 100 South, Second Floor Salt Lake City, Utah 84101	9,905(2)	>0.001%
Common Stock ($0.001 par value)	Joseph Corso, Jr. 167 Zock Road Cuddlebackville, NY 12719	500,000,000	13.55%
Common Stock ($0.001) par Value	Directors and Executive Officers as a Group	127,756	0.003%

(1) The shares owned by Hudson Consulting Group, Inc. and Oasis International Hotel & Casino, Inc., are attributed beneficially to Richard D. Surber due to his position as an officer and director in each of the said corporations.

(2) Richard Surber may be deemed a beneficial owner of 12,862 shares of the Company's common stock by virtue of his position as an officer and director of Hudson Consulting Group, Inc. (9,905 shares), and Oasis International Hotel & Casino, Inc. (2,655 shares). Mr. Surber personally owns 91,037 shares.

(3) Series "B" has voting rights of 500 to 1 of the common stock, these shares give Mr. Surber 4,000,000,000 votes in any shareholder vote and his personal vote of these shares may not always be exercised in the best interest of the balance of the common stock shareholders.

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DESCRIPTION OF SECURITIES

Common Stock

As of December 15, 2005, the number of issued and outstanding shares of the Company's common stock was 3,539,945,834. The number of common stock shares authorized is 10,000,000,000. Effective as of November 1, 2004, pursuant to shareholder consent, a reverse split of the Company's common stock was carried out on a 1 for 1,000 basis which is reflected by the current number of shares issued and outstanding.

Shareholders: As of December 15, 2005, there were approximately 795 shareholders of record.

Dividends: The Company has not declared a cash dividend during the fiscal years ending December 31, 2003 and 2004.

Preferred Stock

The Company has 50,000,000 authorized shares of convertible preferred stock, portions of which are designated as Classes A, B, and C.

As of December 15, 2005, the number of shares of Series A Convertible Preferred Stock issued and outstanding is none. The Series A Convertible Preferred Shares have voting rights which equate to 100 shares of common stock for every 1 Series A Preferred share and may be converted into $10 worth of common stock. A total of 10,000,000 shares have been designated and authorized as Series A Preferred Shares of a total number of 50,000,000 authorized shares of preferred stock.

On August 25, 2004, the Company filed with the Nevada Secretary of State a Certificate of Designation of the Rights and Preferences of Preferred Stock of Nexia Holdings, Inc. This designation created 10,000,000 shares, par value $0.001, of Series B Convertible Preferred Stock, out of the 50,000,000 authorized shares of preferred stock of the Company. The Series B Preferred Stock holds voting rights equal to 500 shares of common stock for each share of the Series B Preferred Stock issued. The shares do not have any conversion rights into common stock or any other class of stock of the Company. The Company reported this event on Form 8-K filed on August 31, 2004.

On September 28, 2004 the Company authorized the issuance of 8,000,000 shares of Series B Convertible Preferred Stock to the president of the Company, Richard Surber. The shares were issued as compensation for both his service as president of the Company and for acting as a guarantor on real estate mortgages for subsidiaries of the Company. The shares were issued in a private transfer exempt from registration under section 4(2) of the Securities Act of 1933. This issuance was reported on a Form 8-K filing made on September 28, 2004. The Series B Preferred shares are given the same voting rights as Common Shares on a five hundred-for-one (500 to 1) basis. The 8,000,000 shares held by Mr. Surber give him voting right equal to 4,000,000,000 shares of common stock.

On November 8, 2004, the Company filed with the Nevada Secretary of State a Certificate of Designation of the Rights and Preferences of Preferred Stock of Nexia Holdings, Inc. designated as Series C Preferred Stock. The designation of 5,000,000 shares of the 50,000,000 authorized as Series C Preferred Stock provides that the Series C shares will hold conversion rights into shares of the common stock of the Company equal in value to $5.00 per share and are subject to redemption by the Company upon a $5.00 cash payment. The Series C Preferred Shares hold no voting rights. The Company reported this event on Form 8-K filed on November 10, 2004.

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On November 10, 2004 an agreement was entered into with Joseph Corso, Jr. to sell him 100,000 shares of its Series C Preferred Stock in exchange for a cash payment of $50,000. These shares had not been registered for sale and the exchange was handled as a private sale exempt from registration under section 4(2) of the Securities Act of 1933. The Company reported this exchange on Form 8-K filed on November 12, 2004.

On August 25, 2005 the Company signed an agreement to issue 165,000 shares of Series C Preferred Stock to the then existing shareholders of Axis Labs, Inc. in exchange for 100% of the issued and outstanding common stock of Axis Labs, Inc. This agreement was later cancelled.

Dividends: The Company has not declared a cash dividend for the Series A Convertible Preferred Stock during the fiscal year ended December 31, 2004. Rights to dividends are granted to the Series A Convertible Preferred Stock equal to those of the Common Stock, when, as and if declared by the Directors of Nexia, to be paid in cash or in common stock equal to market value at the election of the Company.

Conversion Rights: Conversion rights into shares of Common Stock are given to the Series A Convertible Preferred Stock based upon that number of shares of the Company's Common Stock equal in market value to $10.00 at the time of conversion.

INTEREST OF NAMED EXPERTS AND COUNSEL

No "Expert" or "Counsel" (as defined by Item 509 of Regulation S-B promulgated pursuant to the Securities Act of 1933) whose services were used in the preparation of this Form SB-2 was hired on a contingent basis or will receive a direct or indirect interest in Nexia.

Legal Matters

The validity of the shares of common stock offered hereby have been passed upon for Nexia by Mr. Russell C. Weigel, III, an attorney admitted in the District of Columbia, and the states of Florida and New York.

Experts

The financial statements of Nexia as of December 31, 2004, were audited by HJ & Associates, L.L.C. Certified Public Accountants, as stated in their report appearing herein dated May 13, 2005.

On December 1, 2005, HJ & Associates, L.L.C. (the “Former Accountant”) resigned as the auditors for the Company.

On December 8, 2005, Bongiovanni & Associates, P.A. (the “New Accountant”) of 17111 Kenton Drive, Suite 204-B, Cornelius, North Carolina 28031 was retained as the auditors for the Company.

Refer to the “CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES” section, on page 97 , for further discussion.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has entered into the following related party transactions:

Richard Surber has at various times been appointed to serve as an officer or director for some clients of Nexia. These appointments have been disclosed to the disinterested members of the board and the approval of the board of directors has been granted in each of these cases. As payment for services provided to these corporations, Surber has received securities of those corporations, and these transactions have been disclosed to the board of directors in each case.

Mr. Surber is licensed to practice law in the State of California and occasionally represents corporate clients on various corporate matters. Mr. Surber has disclosed the fact that he, on occasion, does act as counsel to several companies for which he receives fees for the legal services provided.

On January 29, 2004 the Company, and/or its subsidiaries entered the following agreements to settle debts and obligations with Axia Group, Inc., a related party of which Richard Surber, President of the Company, also served as an officer and director:

- Diversified Holdings I, Inc. accepted the assignment of certain rights to securities with a stated value of $50,000 due in the settlement of Axia's litigation claim against America West Securities and Robert Kay.
- Diversified Holdings, I, Inc. also accepted an assignment of Axia's rights (presently being litigated) against Kevin Sheff for the recovery of 10,000 post-split shares of Axia Group, Inc.'s common stock.
- As settlement of compensation due under a May 2, 2003 Consultant Agreement with Hudson Consulting Group, Inc., Axia Group Inc. transferred 9,100,012 shares of Nexia common stock to Hudson.
- Signed a full release and settlement of all claims against Axia Group, Inc. held by, Nexia Holdings, Inc., Wasatch Capital, Inc., Hudson Consulting Group, Inc. and West Jordan Real Estate Holdings, Inc.

The end result of the agreements was to resolve and settle all claims against Axia Group, Inc. held by the named entities, all subsidiaries of Nexia Holdings, Inc. Richard Surber, President of the Company, was formerly an officer and director of Axia Group, Inc. The purpose of the above described transaction was to settle the various claims and resolve the debts and obligations that existed between Axia and the Company and its subsidiaries.

On September 28, 2004 the Company authorized the issuance of 8,000,000 shares of Series B Convertible Preferred Stock to the president of the Company, Richard Surber. The shares were issued as compensation for both his service as president of the Company and for acting as a guarantor on real estate mortgages for subsidiaries of the Company. The shares were issued in a private transfer exempt from registration under Section 4(2) of the Securities Act of 1933. This issuance was reported on a Form 8-K filing made on September 28, 2004.

During 2002, the CEO and president of the Company, received 1,570,513 shares of Axia, a related party, as additional collateral for the loans he personally guaranteed for the Company's subsidiary. Later in 2002, the Company refinanced the loan and he kept the shares issued to him. The shares have been expensed as loan fees and were valued at $0.26 per share which was the trading price for Axia for a total value of $408,333 and is considered a payable to Axia. The shares were later returned for cancellation.

In the first quarter of 2002, the Company entered into a Stock Purchase Agreement ("Agreement") with Axia Group, Inc. ("Axia"), pursuant to which the Company issued to Axia 255,100,000 restricted shares of the Company's common stock in exchange for essentially all of the assets and liabilities of Axia including a portfolio of securities, real estate holdings and publicly reporting shell-companies. The shares issued to Axia equaled approximately 82% of the issued and outstanding shares of the Company after the close of the transaction. Axia on December 10, 2002 spun-off those 255,100,000 shares of the Company's common stock to Axia's shareholders on a pro rata basis. This transaction was first reported in the Company's Form 8-K filed on February 26, 2002.

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On November 2, 2005, the Company's subsidiary, Diversified Holdings I, Inc. invested $100,000 in Landis, LLC in exchange for a 20% interest in the LLC. Landis has opened an upscale hair salon located at the corner of 900 East and 1300 South in Salt Lake City, Utah. Richard Surber, president and director of the company holds a 60% ownership interest in Landis LLC.

DESCRIPTION OF BUSINESS

This prospectus contains forward-looking statements which involve risks and uncertainties, including trends in the real estate investment market, projected leasing and sales and future prospects. Actual results could differ materially from those discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors."

General

Nexia's general area of business at the current time is the acquisition, management and selling of commercial real estate properties in the greater Salt Lake City, Utah area.

Discontinued Operations

The Company, through its subsidiary, Hudson Consulting Group, Inc., formerly provided a variety of financial consulting services to a wide range of clients. The Company in 2004 elected to discontinue those services by Hudson and concentrate its efforts on the execution of the core of its business plan.

Overview of the Salt Lake City Real Estate Market

Our decision to invest in Salt Lake area properties was influenced by several factors, including the following: the significant growth of retail sales in the city; increased interest in Salt Lake from specialty retailers; relatively low vacancy rates for retail space in the area; estimated slowdowns in the rate of new retail space construction; and Utah economic indicators pointing to above-average retail sales.

Significant Growth. According to the Mid-Year 2005 Market Review of Commerce CRG published by national real estate broker Cushman & Wakefield, the Salt Lake City office market "posted particularly dramatic gains, with a ten percent drop in overall vacancy since the end of last year and the highest levels of absorption seen since 2001." The overall vacancy rate declined to 13.72% in July of 2005, a 10% drop from year-end figures. The likely closing of a major office center in the central business district is expected to reduce available space by 33% and could provide additional impetus for the construction of new projects. Salt Lake City has, during the recent past, attracted new attention from national tenants seeking space in the area.

These reported trends have not, however, lead to increased occupancy in Class C office buildings or retail space which would cover the holdings of Nexia at the present time, excluding a portion of the Wallace building that we own which is Class A office space. Vacancies in such buildings have remained much higher as the higher class buildings have completed tenant improvements to their space to attract new tenants, Class C vacancy rates were reported at 27.05% for the first six months of 2005 compared to an overall vacancy rate of 15.04% for the central business district. However, for retail space, lease rates for Class A space have reached record highs and may encourage new retailers to move into Class B and C spaces with their lower lease rates.

All of the retail space in the Wallace/Bennett buildings owned by our subsidiary Wasatch Capital is currently leased. A 2,500 square foot portion of a total of 7,000 square feet of the retail space in the buildings located at 1374 South State Street is leased and the balance is unoccupied at this time. The balance of the Company's holdings in the Salt

Lake City market are of office or studio space. Plans have been made to improve the vacant spaces and ready them for more aggressive marketing.

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Our Plan to Acquire and to Sell Commercial Properties

Our business plan is to buy more properties that we believe are undervalued compared to their cash flows and estimated resale value. We plan to acquire sufficient inventory of commercial rental properties that revenues will increase to provide for operating costs of all property held by the Company and allow for future sales and acquisitions as opportunities are found or developed.

Our strategy is to identify properties with a favorable financing arrangement already in place, assume that financing, and satisfy any new down-payment with a relatively nominal cash payment. We plan to lease primarily to commercial tenants. We are prepared to make limited improvements to our properties so that we can increase occupancy, improve cash flows, and enhance potential resale value. We do not plan to limit the geographical area in which we buy properties; however, given our current financial condition, we will most likely seek properties in the Salt Lake City area.

From time to time, we will sell our commercial properties when favorable market conditions enable us to do so. While we are actively seeking tenants for all our properties, our real estate agents are also seeking buyers for those properties. Our goal ultimately is to maximize profits and not necessarily to be landlords.

Employees

Nexia currently employees six people on a full time basis and from time to time hires outside contractors to perform various services as required by the operations of the Company.

Reports to Security Holders

We are not required to deliver an annual report to security holders and do not plan to send a copy of the annual report to them. If we choose to create an annual report, it will contain audited financial statements. We intend to file all required information with the SEC. We plan to file with the SEC our Forms 10KSB, 10QSB and all other forms that are or may become applicable to us.

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We have filed all statements and forms with the SEC electronically, and they are available for viewing or copy on the SEC's Internet site, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Internet address for this site is http://www.sec.gov.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and accompanying notes and the other financial information appearing elsewhere in this prospectus. Our fiscal year end is December 31.

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General

Our business plan for the next twelve months involves the continued operation of our office buildings in Salt Lake City, Utah coupled with our ongoing attempts to locate and acquire additional commercial space in the greater Salt Lake area and elsewhere and to locate suitable buyers for the properties as the circumstances may permit.

Results of Operations

Revenues

Year ended December 31, 2004. Gross revenues for the fiscal year December 31, 2004 and 2003 were $634,089 and $787,585 respectively. The decrease in revenues is due in part to a decrease in rental revenues as a result of the divestiture of Wichita Development Corporation and Salt Lake Development Corporation in July of 2003 which were two of our operating real estate subsidiaries, and a decrease in financial consulting revenues.

Nine months ended September 30, 2005. Gross revenues for the three and nine month periods ended September 30, 2005, were $46,880 and $254,702 as compared to $185,647 and $489,091 for the same three and nine month periods ended September 30, 2004. The reduction in three and nine month revenues of $138,767 and $234,389 respectively is due to the reduction in revenue realized from the sale of real estate holdings and the ending of consulting revenue.

Expenses

Year ended December 31, 2004. General and administrative expenses for December 31, 2004 and 2003 were $1,808,456 and $710,304, respectively. The increase in expenses is partially a result of the expenses incurred by the Company from its use of stock and stock options as a form of compensation for its employees, consultants and contractors and increases in the number of employees during the year, which have subsequently been reduced.

Nine months ended September 30, 2005. General and administrative expenses for the three and nine month periods ended September 30, 2005, were $165,860 and $717,314 compared to $192,955 and $1,052,374 for the same periods in 2004. The decreases in three and nine month expenses of $27,095, or 14%, and $335,060, or 31.8%, respectively are due primarily to the continued reductions in staff and operating expenses for the Company during 2005 compared to the comparable period in 2004.

Depreciation and amortization expenses for the nine months ended September 30, 2005, was $93,145 compared to $99,574 for same period in 2004. The decrease in the nine month expense of $6,429, or 6.5%, were the result of the sale of the Glendale Plaza property in April of 2005.

Nexia expects expenses as a percent of revenues to remain constant or decrease through 2005 as Nexia steps up its effort to streamline operations and eliminate non-performing assets as well as acquire additional properties and decrease expenses through the elimination of its financial consulting operations.

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Income / Losses

Year ended December 31, 2004. Nexia recorded an operating loss of $3,493,029 at December 31, 2004, as compared to an operating loss of $1,107,042 at December 31, 2003. Nexia recorded a net loss of $3,004,155 for December 31, 2004, compared to a net loss of $901,825 for December 31, 2003. Nexia's losses increased as a result of the reduced level of financial consulting operations and losses incurred from the use of stock and stock options as compensation for the majority of its employees.

Nine months ended September 30, 2005. Nexia recorded operating losses of $208,494 and $839,306 for the three and nine month periods ended September 30, 2005, compared to losses of $390,041 and $1,798,694 for the comparable periods in the year 2004. The decreases in three and nine month operating losses of $181,547, or 46.5%, and $959,388, or 53.3%, respectively were the result of the reduction of general and administrative costs, reduction of costs from discontinued consulting activities and limited losses resulting from worthless marketable securities in 2005 compared to 2004.

Nexia recorded net losses of $242,941 and $3,802 for the three and nine month periods ended September 30, 2005, as compared to net losses of $301,576 and $1,450,812 for the comparable periods in 2004. The reduction in the amount of net losses, reported above, is attributable primarily to the gain recognized on the sale of the Glendale shopping center in the amount of $756,471 and income from settlement of litigation totaling $181,500. The Company also recorded a decrease in expenses as a result of issuing fewer shares of common stock for services rendered by employees and contractors during the first nine months of 2005.

Nexia may not operate at a profit through fiscal 2005. Since Nexia=s activities are tied to its ability to operate its real estate properties at a profit, future profitability or its revenue growth tends to follow changes in the real estate market. There can be no guarantee that profitability or revenue growth can be realized in the future.

Impact of Inflation

The Company believes that inflation may have a negligible effect on future operations. The Company believes that it may be able to offset inflationary increases in the cost of revenue by increasing revenue and improving operating efficiencies.

Liquidity and Capital Resources

On September 30, 2005, Nexia had current assets of $651,660 and $4,087,985 in total assets compared to current assets of $565,834 and total assets of $4,006,060 as of December 31, 2004. Nexia had net working capital deficit of $598,345 at September 30, 2005 as compared to a net working capital deficit of $51,335 at December 31, 2004. The decrease in working capital is due primarily to the classification as a current liability of the loan on the Wallace and Bennett building held by Wasatch Capital Corporation due to a short term construction loan in the amount of approximately $280,000 of the total mortgage balance of $827,913 maturing in May of 2006.

Nine months ended September 30, 2005. Net cash provided by operating activities was $366,056 for the nine months ended September 30, 2005, compared to net cash used by operating activities of $63,665 for the nine months ended September 30, 2004. The increase of cash provided in the sum of $429,721 resulted primarily from reduced expenses and profit from the Glendale Plaza sale during the nine month period ended September 30, 2005.

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Cash used in investing activities was $269,284 for the nine months ended September 30, 2005, compared to cash used by investing activities of $303,951 for the comparable nine month period in 2004. The decrease of $34,667 was primarily the result of the Glendale Plaza sale during the nine month period ended September 30, 2005.

Cash provided by financing activities was $14,224 for the nine months ended September 30, 2005, compared to cash provided of $367,058 for the nine months ended September 30, 2004. The decrease of $352,834 was due primarily to the pay off of the mortgage note payable on the Glendale Plaza during the nine months ended September 30, 2005.

Due to Nexia's debt service on real estate holdings and willingness to acquire properties with negative cash flow shortages, Nexia may experience occasional cash flow shortages. To cover these shortages we may need to issue shares of common stock in payment for services rendered. The Company is currently experiencing challenges with regard to cash flows. We are looking at several options to improve this situation, including having negotiated for an equity line of credit with Dutchess, as set forth herein.

The following is a summary schedule of stockholders' equity and changes, for the nine months ended September 30, 2005 and 2004. The numbers show the effect of the November 1, 2004 reverse split.

	Nine Months Ended September 30	
	2005 (Unaudited)	2004 (Unaudited)
BALANCE DECEMBER 31, 2004 AND 2003	$ 441,415	$ 44,705
Common stock issued for services	146,160	153,267
Common stock issued to directors for services	-	480,000
Common stock issued to employees for options exercised	27,366	40,690
Common stock issued to contractors for options exercised	11,140	36,000
Intrinsic value of options issued to employees for past services	95,134	124,400
Fair value of options issued to contractors for past services	36,360	-
Proceeds from contractors' share of proceeds from sale of option shares applied to accounts payable	7,985	-
Receipt of cash on subscriptions receivable	373,516	21,000
Return of common stock from a director who resigned	(20,000)	-
Amortization of expenses prepaid with common stock	-	13,333
Change in comprehensive loss	(15,227)	624
Net consolidated loss for three months ended March 31	(419,114)	(751,565)
BALANCE MARCH 31	684,735	162,454
Common stock issued for services	-	15,660
Common stock issued for building improvements	-	19,200
Common stock issued to employees for options exercised	-	99,410
Common stock issued to contractors for options exercised	-	73,144
Intrinsic value of options issued to employees for past services	-	128,850
Proceeds from contractors' share of proceeds from sale of option shares applied to accounts payable	-	7,466
Amortization of expenses prepaid with common stock	-	7,600
Receipt of cash on subscriptions receivable	15,000	-
Change in comprehensive loss	(8,361)	(4,372)
Net consolidated income for three months ended June 30	658,253	(397,671)

BALANCE JUNE 30	1,349,627	111,741
Preferred stock issued for services	-	8,000
Common stock issued for services	15,000	187,766
Common stock issued to employees for options exercised	19,500	19,500
Common stock issued to contractors for options exercised	-	40,462
Intrinsic value of options issued to employees for past services	10,500	55,949
Fair value of options issued to contractors for past services	-	87,786
Adjust fair and intrinsic value of options issued	(85,243)	
Increase in stock subscriptions receivable	(19,500)	-
Proceeds from contractors' share of proceeds from sale of option shares applied to accounts payable	-	19,306
Amortization of expenses prepaid with common stock	-	36,388
Change in comprehensive loss	6,411	214
Net consolidated loss for three months ended September 30	(242,941)	(301,576)
BALANCE SEPTEMBER 30	$ 1,053,354	$ 265,536

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DESCRIPTION OF PROPERTY

Location and Description

Wasatch Capital Corporation ("Wasatch")

Wasatch, a 99% owned subsidiary of Nexia, owns the Wallace-Bennett Building, located at 55-65 West 100 South, Salt Lake City, Utah. The building is a 36,797 square foot, turn-of-the-century multi-story office building. At the beginning of the year 2004 only the ground level was suitable for rent as retail space. The ground level comprises 7,816 square feet or 21% of the Building. A portion of this space is currently leased to Richard Wirick, the owner of the Oxford Shoe Shop, a retail outlet for men's shoes, for a monthly rental of $1,245 for 1350 square feet. A lounge occupies 1,900 square feet of the ground floor retail space at a monthly rental of $ 2,533.34 for the first year of a five year term ending February 28, 2010. A restaurant and an art gallery occupy the balance of the ground floor space. The average annual effective rental for the rentable ground level space is $15.00 per square foot or $117,240 in gross rental income.

In late 2004, the Company occupied a portion of the second floor as its main offices for which remodeling work was mostly completed during the year ended 2004. The Company occupies a total of 3,600 square feet and has space that includes a conference room and office space for the legal, accounting and executive employees of the Company. The renovations of the second floor incurred expenses totaling approximately $500,000 as of September 30, 2005.

In early 2003, Wasatch refinanced the main loan on the Wallace-Bennett Building. The terms of this loan package provided for a loan in the total amount of $850,000, an interest rate on the loan of 7.5%, with monthly payments of $8,800. The loan has a term of three years, resulting in a due date of May 10, 2006. The loan was personally guaranteed by Richard D. Surber, Nexia's President and C.E.O. Of the loan proceeds $202,920 has been set aside for construction or capital improvements to the buildings securing the loan, all of which have been utilized during the second floor renovation and other upgrades to the building. Wasatch intends to improve the remaining upper floor space as office space, studio locations and production space for low impact business. The balance due on the existing note on June 30, 2005 was $848,485.

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Downtown Development, Corp. ("DDC")

DDC, a 99.08% owned subsidiary of Nexia, owns a one story retail building located at 1374 South State Street, Salt Lake City, Utah, which it purchased on December 1, 1999 for $535,000. The balance on the financing owing at December 15, 2005 was $366,032. The building was appraised at $600,000 in November of 2002. In December of 2002, DDC obtained permanent financing with Community First National Bank; the loan bears interest at the rate of 7.16% per annum, with monthly payments of $3,061. The loan was personally guaranteed by Richard D. Surber, Nexia's President and C.E.O. The building is 7,000 square feet, one story tall and constructed in the late 1960's. A bakery currently occupies 2,500 square feet of retail space under a lease in the building. DDC expended $34,100 through March 31, 2004 in renovations to the space occupied by the bakery in the property. This figure does not include substantial improvements made by the tenant to the same portion of the property. The balance of the space in the building is currently not occupied and the search for a tenant is ongoing. DDC believes the property is adequately insured. The retail space in the building competes for tenants with other retail space on State Street which is a commercial zone for over one mile in each direction from the property. On December 23, 2004 a Second Deed of Trust was granted against this property in favor of Joseph Corso, Jr. as security for a debenture granted to Mr. Corso in the sum of $200,000.

Kearns Development Corporation. ("Kearns")

Kearns, a 90.7% owned subsidiary of Nexia, owns one office building located on West Sams Boulevard in Kearns, Utah (a suburb of the Greater Salt Lake area). The building contains approximately 11,709 square feet of total floor space in a single story. The building was purchased on November 29, 2000 for a total price of $750,000. The purchase was financed with a $625,000 first mortgage from Brighton Bank with an initial variable rate of 10.97% amortized over 25 years and monthly payments of $5,632. The loan was personally guaranteed by Richard D. Surber, Nexia's President and C.E.O. This property was refinanced on January 10, 2003, $660,000 by Community First Bank, at an interest rate of 7.16%. Monthly payments are $5,223 based upon a 20 year amortization with a balloon payment of the remaining balance due on January 10, 2013. The balance owing on this loan as of December 15, 2005 was $621,363. At the time of the refinancing, the building was appraised at $980,000.

The building is leased to two major tenants occupying 67% of the office space and generating monthly rentals of $7,873 at an average rate of $12.10 per square foot, the gross annual rental income from the building is $94,476. Kearns has no present plans to renovate or improve the building. Management believes that the building is adequately insured. The building competes for tenants with other office space in the Kearns area.

Salt Lake Development, Inc. (“SLD”)

SLD, a 98% owned subsidiary of Diversified Holdings I, Inc., a wholly owned subsidiary of Nexia, owns an office building located at 268 West 400 South in Salt Lake City, Utah. Diversified Holdings I, Inc. acquired a controlling interest in SLD through the release and settlement of debt owed by SLD’s former parent corporation, Diversified Financial Resources Corporation and a cash payment of $20,000. The building is two stories with 15,000 (14,347 net rentable) square feet of office space. SLD originally purchased the property on March 6, 1998, by exercising its option to purchase the property through the payment of $418,762. SLD financed the purchase price and borrowed an additional sum of $222,489, which is secured by the property. At December 15, 2005, the outstanding debt on the property was $547,012. The building is currently vacant and competes with other office space in the central business district of Salt Lake City. SLD is of the opinion that this property is adequately covered by insurance. Agreements have been entered into to market the property for sale and sales efforts are being currently conducted. The building was appraised in August of 1998 for $910,000.

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Contractual Obligations

Contractual Obligations

As of September 30,2005, we were subject to certain material contractual payment obligations as described in the table below.

		Payments Due by Period					
	Total	**Remainder of 2005**	**2006**	**2007**	**2008**	**2009**	**Thereafter**
Mortgage debt	$ 2,386,923	$ 43,492	$ 885,350	$ 55,375	$ 58,720	$ 62,706	$ 1,281,280
Vehicle contract	20,913	2,423	9,816	8,674	-	-	-
Unsecured note	3,908	2,908	-	-	-	-	-
Operating lease obligation	9,284	924	3,960	3,960	440	-	-
Convertible debenture	200,000	-	-	200,000	-	-	-
	$ 2,621,028	**$ 50,747**	**$ 899,126**	**$ 268,009**	**$ 59,160**	**$ 62,706**	**$ 1,281.280**

Property Acquisitions:

In August 2005 we signed an agreement to acquire 99% of the common stock of Salt Lake Development Corporation. The Corporation owns a 15,000 square foot office building in Salt Lake City, UT. The unpaid mortgage balance, as of the date of acquisition was $551,707.11. The interest rate is 7.70%, and monthly payments are $5,341.43.

Detail of Costs Associated With Rental Revenue
ended September
30,2005

	Three Months Ended September 30,				Nine Months Ended September 30,			
			Change				Change	
Expense Description	2005	2004	$	%	2005	2004	$	%
Mortgage interest	$ 41,889	$ 55,771	$ (13,882)	(24.9)	$ 140,930	$ 171,085	$ (30,155)	(17.6)
Depreciation	24,509	34,496	(9,987)	(29.0)	93,145	99,574	(6,429)	(6.5)
Payroll - mgt. and maint.	10,540	46,896	(36,356)	(77.5)	53,625	203,044	(149,419)	(73.6)
Utilities	8,528	15,472	(6,944)	(44.9)	40,399	49,299	(8,900)	(18.1)
Property taxes	13,841	16,858	(3,017)	(21.8)	41,032	28,283	12,749	45.0
Maint. And repairs	6,801	615	6,186	1,005.9	24,157	10,057	14,100	140.2
Building lease	-	19,964	(19,964)	(100.0)	-	19,964	(19,964)	(100.0)
Other expenses	-	690	(690)	(100.0)	-	765	(765)	(100.0)
	$ 106,108	$ 190,762	$ (84,654)	(44.4)	$ 393,288	$ 582,071	$ (188,783)	(32.4)

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MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is quoted on the OTC Bulletin Board under the symbol, "NEXH". Trading in the common stock in the over-the-counter market has been limited and sporadic and the quotations set forth below are not necessarily indicative of actual market conditions. Further, these prices reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not necessarily reflect actual transactions. The high and low bid prices for the common stock for the quarters indicated below of the years ended December 31, 2003, 2004 and through June 30, 2005 are as follows:

YEAR	PERIOD ENDING	HIGH	LOW
2003	March 31, 2003	$0.015	$0.004
	June 30, 2003	$0.008	$0.0005
	September 30, 2003	$0.013	$0.001
	December 31, 2003	$0.030	$0.006
2004	March 31, 2004	$0.015	$0.001
	June 30, 2004	$0.0058	$0.0005
	September 30, 2004	$0.0008	$0.0001
	October 31, 2004	$0.0001	$0.0001
Post reverse	December 31, 2004	$0.035	$0.0002
2005	March 31, 2005	$0.0006	$0.0001
2005	June 30, 2005	$0.0002	$0.0001
2005	September 30, 2005	$0.0003	$0.0001

Shareholders: As of December 15, 2005, there were approximately 795 shareholders of record of the Company’s common stock.

No Shares of Series A Preferred Stock are issued and outstanding.

There is only one holder of Series B Preferred Stock, Richard Surber who holds 8 million shares.

There is only one holder of Series C Preferred Stock, Joseph Corso who holds 100,000 shares of Series C Preferred Stock.

Dividends: The Company has not declared a cash dividend during the fiscal years ending December 31, 2003 and 2004.

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Restricted Stock Award(s) ($)	Securities Underlying Options SARs(#)	LTIP pay-outs ($)	All Other Compen sation ($)
Richard Surber, President	2004	$150,000[3]	-	8,000 [4]	-	-	-	-
Richard Surber, President	2003	51,000[1 2]	$32,248	-	-	-	-	-
Richard Surber, President	2002	48,833 [1]	-	-	-	-	-	-

(1) During the years 2002, 2003 and 2004, Mr. Surber was paid a salary by Hudson Consulting Group, Inc. which was acquired as a subsidiary by the Company in February 2002.
(2) Of this amount $39,231 represents salary paid and $11,769 is accrued but unpaid salary due to Mr. Surber, which was paid during 2004.
(3) Of this amount $96,321 represents salary paid during 2004 and $53,537 is accrued but unpaid salary due to Mr. Surber as of December 31, 2004.
(4) The board of directors awarded Mr. Surber 8,000,000 shares of Class B, Preferred Stock with a value of $8,000.

Compensation of Directors

In August of 2005, the Company made cash payments in the sum of $2,000 each to Mr. Einhorn and Ms. Bernstein as compensation for their services as directors of the Company. No set amount of compensation is set for the directors of the Company and compensation is paid based upon the time and effort required of directors on an as needed basis. The most recent compensation delivered to directors prior to these cash payments was the issuance of 10,000 shares of restricted common stock in the first quarter of 2004 to Mr. Surber, Mr. Einhorn, Ms. Bernstein and to John E. Fry, Jr. Mr. Fry is no longer a director of the Company.

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NEXIA HOLDINGS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
ASSETS

	December 31, 2004		December 31, 2003	
CURRENT ASSETS				
Cash and cash equivalents	$	152,413	$	94,073
Restricted cash		80,078		-
Accounts and notes receivable, trade, net		115,012		33,387
Related party accounts receivable, net		-		12,952
Notes receivable - net of allowance of $315,950 (Note 4)		154,999		36,949
Prepaid expenses		18,783		99
Marketable securities (Note 6)		44,549		205,400
TOTAL OF CURRENT ASSETS		565,834		382,860
PROPERTY AND EQUIPMENT (Note 5)				
Property and equipment, net		2,935,052		2,570,691
Land		489,295		488,895
TOTAL NET PROPERTY AND EQUIPMENT		3,424,347		3,059,586
OTHER ASSETS				
Loan costs, net		15,879		38,059
TOTAL OTHER ASSETS		15,879		38,059
TOTAL ASSETS	$	4,006,060	$	3,480,505

The accompanying notes are an integral part of these consolidated financial statements.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2004	December 31, 2003
CURRENT LIABILITIES		
Accounts payable	$ 243,441	$ 188,188
Accrued liabilities	209,480	130,524
Current portion of WVDEP liability	-	20,000
Unearned rent (Note 1)	23,094	28,455
Deferred revenue (Note1)	356	8,958
Deferred gain on sale of subsidiary	-	21,770
Refundable deposits	15,041	15,541
Convertible debentures (Note 15)	5,000	60,000
Current maturities of long-term debt (Note 9)	120,757	1,213,859
TOTAL CURRENT LIABILITIES	617,169	1,687,295
LONG-TERM LIABILTIES		
Convertible debenture (Note 9)	200,000	
Long-term debt	2,732,161	1,548,740
TOTAL LONG-TERM LIABILITIES (Note 9)	2,932,161	1,548,740
TOTAL LIABILITIES	3,549,330	3,236,035
MINORITY INTEREST	15,315	199,765
COMMITTMENTS AND CONTINGENCIES (Note 11)	-	-

The accompanying notes are an integral part of these consolidated financial statements.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2004		2003
STOCKHOLDERS EQUITY (DEFICIT)			
Preferred Series B stock, $0.001 par value, 50,000,000 shares authorized, 5,000 shares issued and outstanding	8,000		-
Preferred Series C stock, $0.001 par value, 5,000,000 shares authorized, 100,000 shares issued and outstanding	100		-
Common stock $0.001 par value, 2,503,650,000 shares authorized, 1,747,945,834 and 348,502,760 shares issued (post reverse split) and outstanding, respectively	1,747,946		348,503
Additional paid-in capital	12,396,385		10,063,482
Treasury stock -29,138 and 20,038 shares at cost, respectively (Note 10)	(100,618)		(100,618)
Expenses prepaid with common stock	-		(13,333)
Stock subscriptions receivable (Note 14)	(375,009)		(28,000)
Other comprehensive income (Loss) (Note 6)	(6,767)		(862)
Accumulated deficit	(13,228,622)		(10,224,467)
Total Stockholders' Equity	441,415		44,705
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 4,006,060	$	3,480,505

The accompanying notes are an integral part of these consolidated financial statements.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Other Comprehensive (Loss)

	For the Years Ended December 31, 2004	For the Years Ended December 31, 2003
REVENUE		
Consulting Revenue	$ 121,633	$ 226,565
Consulting Revenue - related party	-	50,000
Rental Revenue	512,456	511,020
TOTAL REVENUE	634,089	787,585
COSTS OF REVENUE		
Costs associated with consulting revenue	1,069,329	287,209
Costs associated with rental revenue	231,158	358,229
Interest associated with rental revenue	823,981	280,734
TOTAL COST OF REVENUE	2,124,468	926,172
GROSS PROFIT (Deficit)		
Gross (deficit) from consulting operations	(947,696)	(10,644)
Gross (deficit) from real estate operations	(542,683)	(127,943)
GROSS PROFIT (Deficit)	(1,490,379)	(138,587)
EXPENSES		
Impairment of long-lived assets	-	182,974
Impairment of marketable securities	194,194	75,177
General and administrative expense	1,808,456	710,304
TOTAL EXPENSES	2,002,650	968,455
OPERATING LOSS	(3,493,029)	(1,107,042)
OTHER INCOME (EXPENSE)		
Interest expense	(115,092)	(15,596)
Interest income	5,493	182
Gain (loss) on sale of property & equipment	-	(29,559)
Gain (loss) on sale of subsidiaries	528,192	229,268
Gain (loss) on marketable securities	36,918	(5,421)
Other Income (Expense)	26,187	44,841
TOTAL OTHER INCOME	481,698	223,715
NET INCOME (LOSS) BEFORE MINORITY INTEREST	(3,011,331)	(883,327)
MINORITY INTEREST IN LOSS	(7,176)	(65,113)
	(3,004,155)	(818,214)

NET LOSS BEFORE DISCONTINUED OPERATIONS				
LOSS FROM DISCONTINUED OPERATIONS		-		(83,611)
NET LOSS		(3,004,155)		(901,825)
Other Comprehensive Loss		(6,767)		(1,735)
TOTAL COMPREHENSIVE (LOSS)	$	(3,010,922)	$	(903,560)

The accompanying notes are an integral of these consolidated financial statements.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Other Comprehensive (Loss)
(continued)

	For the Years Ended December 31, 2004		2003	
Net loss per common share, basic and diluted				
Loss before minority interest	$	(0.033)	$	(2.740)
Minority interest in loss		-		-
Loss before discontinued operations		(0.033)		(2.535)
Loss from discontinued operations		-		(0.260)
Net loss per weighted average common share outstanding	$	(0.033)	$	(2.795)
Weighted average shares outstanding - basic & diluted (Note 1)		90,299,865		322,735

(Weighted average shares outstanding have been adjusted retroactively to reflect a reverse stock split on November 1, 2004)

The accompanying notes are an integral part of these consolidated financial statements.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital
Balance Forward, October 1, 2004	8,000,000	$ 8,000	$ -
Return of common stock issued to a consultant			
Fair value of options issued to consultants			
Intrinsic value of options issued to employees			
Common stock issued for options exercised, consultants			
Common stock issued for options exercised, employees			
Common stock issued for services to consultants			
Common stock issued for compensation to employees			
Common stock issued for subscriptions receivable, consultants			
Balance Forward	8,000,000	$ 8,000	$ -

The accompanying notes are an integral part of these consolidated financial statements

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital
Balance Forward	$ 8,000,000	$ 8,000	
Common stock issued for subscriptions receivable, employees			
Application of restricted common stock issued to reduce debentures liability			
Common stock issued for building improvements			
Common stock issued to consultants to apply to accounts payable			
Proceeds from consultant option stock sales applied to accounts payable			
Series C preferred stock issued for cash	100,000	100	49,900
Receipt of subscriptions receivable			
Debt discount convertible debenture discount factor			
Balance Forward	$ 8,100,000	$ 8,100	$ 49,900

The accompanying notes are an integral part of these consolidated financial statement

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Preferred Stock Shares	Amount	Additional Paid-In Capital
Balance Forward	8,100,000	$ 8,100	$ 49,900
Round up fraction shares resulting from 11-01-2004 reverse stock split			
Change in other comprehensive loss			
Net consolidated loss, year ended December 31,2004			
Balance, year ended December 31, 2004	8,100,000	$ 8,100	$ 49,900

The accompanying notes are an integral part of these consolidated financial statement

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Stock Subscriptions Receivable	Expenses Prepaid With Common Stock	Deferred Consulting	Other Comprehensive Income (Loss)	Accumulated Deficit
Balance Forward	1,747,945,332	$ 1,747,945	$ 12,346,486	$ (100,618)	$ (375,009)	$ -	$ -	$ (4,396)	$ (10,224,467)
Round up fraction shares resulting from 11-01-2004 reverse stock split	502	1	(1)						
Change in other comprehensive loss								(2,371)	
Net consolidated loss, year ended December 31,2004									(3,004,155)
Balance, year ended December 31, 2004	1,747,945,834	$ 1,747,946	$ 12,346,485	$ (100,618)	$ (375,009)	$ -	$ -	$ (6,767)	$ (13,228,622)

The accompanying notes are an integral part of these consolidated financial statement

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Preferred Stock Shares		Amount
December 31, 2002	-	$	-
Common stock issued for loan fee	-		-
Disposition of treasury stock and stock subscription due to sale of subsidiary	-		-
Common stock issued for services	-		-
Common stock issued for Bonus	-		-
Common stock issued for services and prepaid services	-		-
Common stock issued for stock option exercise to employees	-		-
Intrinsic value of stock options issued to employees	-		-
Beneficial conversion feature on			

convertible debentures	-	-
Adjustment for marketable securities	-	-
Net loss for the year ended December 31, 2003	-	-
Balance, December 31, 2003	-	-

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (continued)

	Preferred Stock Shares	Amount
Balance, December 31, 2003	-	$ -
Cancellation of Common stock for subscription receivable	-	-
Common stock issued for services		
Common stock issued for building improvements and services	-	-
Common stock issued for stock option exercise to consultants	-	-
Common stock issued for stock option exercise to employees	-	-
Receipt of subscriptions receivable	-	-
Amoritzation of prepaid expenses	-	-
Intrinsic value of stock options issued to employees	-	-
Balance, Forward	-	-

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Preferred Stock Shares	Amount
Balance, Forward	-	$ -
Fair Value of options issued for prepaid consulting fees	-	-
Application of option grants to accounts payable	-	-
Adjustment for marketable securities	-	-
Common stock issued for services	-	-
Common stock issued for stock option exercise to consultants	-	-
Common stock issued for stock option exercise to employees	-	-
Common stock issued for subscriptions receivable,		

consultants	-		-
Common Stock issued for subscriptions receivable employees	-		-
Fair Value of stock options issued to consultants	-		-
Series B preferred stock issued for services	8,000,000	$	8,000
Balance Forward	8,000,000	$	8,000

The accompanying notes are an integral part of these consolidated financial statements

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Preferred Stock Shares		Amount
Balance, Forward	8,000,000	$	8,000
Intrinsic Value of stock options issued to employees	-		-
Shareholder proceeds from Option stock sales applied to A/P	-		-
Amortization of deferred consulting balance expensed	-		-
Adjustment for marketable securities	-		-
Net loss for the nine months ended September 30, 2004	-		-
Balance, September 30, 2004	8,000,000	$	8,000

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ (3,004,155)	$ (901,825)
Other comprehensive loss	(5,905)	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from sale of investments	-	5,421
Loss from sale of land and real property for sale	-	9,008
Loss on disposition of property, plant and equipment	-	29,559
(Gain) loss from sale of subsidiaries	899,971	(229,268)
Impairment of marketable securities	194,194	75,177
Impairment of long-lived assets	-	173,966
Change in minority interest	(184,450)	(65,113)
Depreciation and amortization	145,704	137,607
Intrinsic and fair value of stock options issued	1,619,352	49,600
Expenses prepaid with common stock	13,330	-
Issuance of Preferred Series B stock for services	8,000	-
Issuance of common stock for services	892,659	323,817
Beneficial conversion feature of debenture issued	83,571	-
Amortization of beneficial conversion feature	-	11,609
Bad debt expense	-	319,219
Revaluation and expense of variable deferred consulting	45,600	-
Change in operating asset and liability accounts:		
Increase in restricted cash	-	-
Accounts receivable	(81,625)	(21,820)
Prepaid expenses	(18,684)	23,401
Capitalized loan costs	22,180	-

Other assets	-	7,144
Related party transactions	12,952	-
Accounts payable	55,254	(10,415)
Accrued liabilities	78,956	39,468
Deferred Revenue	(8,602)	(138,070)
Unearned rent	(5,361)	-
Deferred gain on sale of subsidiary	(21,770)	-
Refundable Deposits	(500)	9,041
Convertible debentures	(55,000)	-
Current portion of WVDEP liability	(20,000)	-
Current portion of long-term debt change due to modification of two loan agreements to remove		